

**SUBMISSION OF THE DRAFT BUDGET FOR 2012/2013 FINANCIAL YEAR**  
**(5/1/2/1/1) (5/1/2/1/2)**

Budget Steering Committee Meeting : 23 March 2012  
Mayoral Committee Meeting : 27 March 2012  
Council : 29 March 2012

**REPORT OF THE BUDGET & TREASURY OFFICE**

**1. PURPOSE**

The purpose of this report is to comply with section 21 of the MFMA by providing to the Executive Mayor the draft budget of 2012/2013 to 2014/2015 Medium Term Revenue and Expenditure Framework (MTREF) and as well as the amendments made on budget related policies. The report is submitted to ensure that the Executive Mayor is able to exercise its oversight responsibility over the financial management of the municipality.

**2. BACKGROUND**

The Municipal Finance Management Act (MFMA) No 56 of 2003 stipulates that an annual budget must be compiled and tabled in Council by or not later than 31 March (three months before the start of the new financial year). Following the budget being tabled, it is to be made available for public consultation, and at the end of that process Council must consider the budget a month before the start of the new financial year (31<sup>st</sup> May each year) at the latest for approval.

Section 21 of the MFMA requires the following:

(1) The mayor of a municipality must—

(a) co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;

(2) When preparing the annual budget, the mayor of a municipality must—

- (a) take into account the municipality's integrated development plan;
- (b) take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;
- (c) take into account the national budget, the relevant provincial budget, the

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national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;

(d) consult—

(i) the relevant district municipality and all other local municipalities within the area of the district municipality; the relevant provincial treasury, and when requested, the National Treasury; and any national or provincial organs of state, as may be prescribed; and

(e) provide, on request, any information relating to the budget—

(i) to the National Treasury; and the national departments responsible for water, sanitation, electricity and any other service as may be prescribed;

### 3. DISCUSSION

- 3.1. The 2012/2013 detailed budget report is attached as “**Annexure 1A**”;
- 3.2. The Budget related Policies are attached as “**Annexure 2A & 2B**”;
- 3.3. The tariffs schedule attached as “**Annexure 2C**”;
- 3.4. NERSA approval on electricity tariffs is attached as “**Annexure 2D**”;
- 3.5. Circular 58 and 59 of the MFMA attached as “**Annexure 2E and 2F**”;
- 3.6. Division Of Revenue Act 2012/2013 allocations made to Lekwa local municipality attached as “**Annexure 2G**”.

#### **4. RECOMMENDATIONS BY THE ACTING MUNICIPAL MANAGER**

1. That cognizance be taken:
  - 1.1 Of the Operating revenue amounting to R413, 524, 528.;
  - 1.2 Of the Operating expenditure amounting to R413, 524, 528 and Capital expenditure amounting to R62, 862, 117.;
  - 1.3 Of the 2012/2013 budget, both Operating expenditure and Capital expenditure totalling to R476, 386, 645.;
  - 1.4 Of the recommendation made by Chief Financial Officer to increase the revenue budget on electricity sales by R33, 704, 742 to cross subsidise other municipal services, stringent measures to be put in place to ensure that the budgeted revenue is generated;
  - 1.5 Of the principles upon which both the Operating Budget and Capital Budget have been based;
  - 1.6 That the draft budget together with the related policies tabled in Council on 29 March 2012, be subjected to community participation through public meetings to take place in all the wards;
  - 1.7 That no Capital projects to be carried-over into the 2012/2013 Budget year;
  - 1.8 Of the 13.5% increase on electricity tariffs approved by NERSA;
  - 1.9 Of the pending approval by NERSA of the application on the proposed 11.03 % increase made by Lekwa local municipality on electricity tariffs.
  - 1.10 Of the 5 % increase on property rates tariffs, services charges: water, refuse, sanitation and other services;
  - 1.11 Of the Circular 58 of the MFMA which encourages municipality to eliminating non-priority spending.
2. That the Draft budget proposals by the Executive Mayor for the financial year 01 July 2012 to 30 June 2013 as contained in the Medium Term Revenue and Expenditure Forecasts for the financial years 2012/2013 to 2014/2015, as amended, be approved and be submitted to the National – and Provincial Treasuries;

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3. That the proposed tariffs increase as indicated on “**Annexure 2C**” be taken to public for consultation before approval by council.
4. That annual salary increase of 6.5% be approved, while waiting a multi-year collective salary agreement between SALGA and labour unions;
5. That provision be made for 8.5% estimated increase in salaries of councillors which still have to be announced in terms of Public Office Bearers Act.
6. That Heads of Department should monitor the revenue of their relevant departments/section regularly, and, should they find that the estimated revenue would not be realised, they should advise Budget and Treasury Office so that revenue budget be reduced during budget adjustments.
7. That Capital expenditure to be financed from grants and other external mechanisms takes place after the funds secured have been confirmed in writing and/ or received. And the proposed capital budget should entirely based on the IDP priorities in order to achieve National targets on service provision .
8. That a budget allocation need to be made for the amount owed to DWAF and such allocation could only be made once management has intervened on the pending dispute between the Council and DWAF to confirm the amount owed by Lekwa local municipality.
9. That the following budget related policies, namely, Budget Policy and Indigent Policy and be implemented as from 01 July 2012
10. Subsistence and Travel Allowance Policy as amended be taken to Local Labour Forum before submission to council for approval

## **5. RECOMMENDATIONS BY THE EXECUTIVE MAYOR**

2. That cognizance be taken:

- 1.12 Of the Operating revenue amounting to R413, 524, 528.;
- 1.13 Of the Operating expenditure amounting to R413, 524, 528 and Capital expenditure amounting to R62, 862, 117.;
- 1.14 Of the 2012/2013 budget, both Operating expenditure and Capital expenditure totalling to R476, 386, 645.;
- 1.15 Of the recommendation made by Chief Financial Officer to increase the revenue budget on electricity sales by R33, 704, 742 to cross subsidies other municipal services, stringent measures to be put in place to ensure that the budgeted revenue is generated;
- 1.16 Of the principles upon which both the Operating Budget and Capital Budget have been based;
- 1.17 That the draft budget together with the related policies tabled in Council on 29 March 2012, be subjected to community participation through public meetings to take place in all the wards;
- 1.18 That no Capital projects to be carried-over into the 2012/2013 Budget year;
- 1.19 Of the 13.5% increase on electricity tariffs approved by NERSA;
- 1.20 Of the pending approval by NERSA of the application on the proposed 11.03 % increase made by Lekwa local municipality on electricity tariffs.
- 1.21 Of the 5 % increase on property rates tariffs, services charges: water, refuse, sanitation and other services;
- 1.22 Of the Circular 58 of the MFMA which encourages municipality to eliminating non-priority spending.

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**CHIEF FINANCIAL OFFICER: RTO DIPONE**

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**DATE:**

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**CHAIRPERSON: FINANCE PORT FOLIO COMMITTEE**  
**EXECUTIVE MAYOR: CM MORAJANE**

\_\_\_\_\_  
**DATE:**

LPS/lps  
23/03/ 2012